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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SEC-01 SP-02 ICA-20 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
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TO SECSTATE WASHDC 1160
INFO SECURITIES & EXCHANGE COMMISSION WASHDC

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E.O. 11652: N/A
TAGS: EINV, ECON, CFRD, BF, US
SUBJECT: NASSAU GUARDIAN NEWS STORY ON IDC "POLITICAL FUND"

REF NASSAU 067 AND PREVIOUS

1. THE FOLLOWING NEWS STORY HEADLINED "IDC BAHAMAS POLITICAL FUND REVEALED" APPEARED IN THE NASSAU GUARDIAN JUNE 20, WHICH IS BEING TRANSMITTED IN FULL HEREWITH FOR THE DEPT'S AND SEC'S INFO:

2. "THE U.S. SECURITIES AND EXCHANGE COMMISSION (SEC) HAS REVEALED THAT IDC, PARENT COMPANY OF THE GRAND BAHAMA PORT AUTHORITY, HAS ILLEGALLY DIVERTED ABOUT 1.3 MILLION IN COMPANY FUNDS WHICH WERE 'INTENDED TO BE USED FOR POLITICAL PAYMENTS IN THE BAHAMAS.' INFORMATION CONCERNING IDC'S ILLEGAL FUND CAME UP WHEN THE SEC RECENTLY DISCIPLINED IDC'S FORMER GENERAL COUNSEL FOR WHAT THE SEC SAID WAS IMPROPER CONDUCT INVOLVING QUESTIONABLE PAYMENTS BY THE COMPANY. THE SEC DID NOT INDICATE WHETHER THE POLITICAL PAYMENTS WERE ACTUALLY PAID TO POLITICAL FIGURES OR PARTIES IN THE BAHAMAS. BUT, IN ITS ACTION, THE SEC BARRED FORMER DIC VICE-PRESIDENT AND GENERAL COUNSEL MARY JANE MELROSE, CURRENTLY AN ATTORNEY IN MIAMI, FROM PRACTISING BEFORE THE COMMISSION WITHOUT PRIOR SEC APPROVAL AND FROM MAKING FILINGS WITH THE COMMISSION FOR ANY COMPANY THAT
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SHE SERVES AS AN OFFICER OR DIRECTOR UNLESS THE FILING HAS FIRST BEEN REVIEWED BY AN OUTSIDE ATTORNEY. THE WALL STREET JOURNAL WHICH INITIALLY DISCLOSED THE EXISTENCE OF THE $1.3 MILLION POLITICAL FUND IN ITS MAY 2, 1978 EDITION, REPORTED THAT MRS. MELROSE CONSENTED TO THE PENALTIES TO SETTLE SEC CHARGES THAT SHE PARTICIPATED IN A SCHEME TO USE FALSE INVOICES TO HIDE THE ILLEGAL DIVERSION OF ABOUT $1.3 MILLION IN IDC FUNDS. ACCORDING

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TO THE JOURNAL, THE SEC SAID THAT THE IDC ATTORNEY "ALSO KNEW
THAT FICTITIOUS LEGAL FEES WERE USED TO HIDE THE DIVERSION OF THE
MONEY, WHICH WAS INTENDED FOR POLITICAL
PAYMENTS IN THE BAHAMAS, WHERE THE COMPANY HAS ITS HEAD-
QUARTERS." THE SEC CHARGED IN ADDITION THAT MRS. MELROSE" SHOULD
HAVE KNOWN THAT, AS A RESULT OF THESE PRACTICES, THE FREE-
PORT BASED COMPANY FILED FALSE AND MISLEADING REPORTS WITH THE SEC'.
'ALL OF THESE THINGS CONSTITUTED IMPROPER PROFESSIONAL CONDUCT IN
VIOLATION OF COMMISSION RULES', THE SEC SAID. MRS. MELROSE RESIGNED
HER POSITION AS GENERAL COUNSEL FOR IDC IN 1976 AND WAS PROMPTLY
REPLACED BY MRS. RUBY NOTTAGE, WIFE OF KENDAL NOTTAGE, MINISTER
OF YOUTH, SPORTS AND COMMUNITY AFFAIRS, AS GENERAL COUNSEL FOR
THE COMPANY. INTERCONTINENTAL DIVERSIFIED, WHICH IS ALSO PARENT
COMPANY OF THE GRAND BAHAMA DEVELOPMENT COMPANY AND FREEPORT
COMMERCIAL AND INDUSTRIAL LIMITED, WAS LAST LINKED TO POLITICAL
PAYMENTS TO BAHAMIAN POLITICAL FIGURES IN A MAY, 1976 IN THE
LOS ANGELES TIMES. THE TIMES REPORTED THAT PRIME MINISTER LYNDEN
PINDLING HAD ACCEPTED $100,000 FROM IDC FOR A CASINO LICENCE, A
STORY THAT WAS BRANDED A 'LIE' BY THE PM THE SAME DAY IT WAS
PUBLISHED. AT THAT TIME, IDC CHIEF EDWARD ST. GEORGE ALSO
VEHEMENTLY REPUDIATED THE PAYMENT STORY. HOWEVER, IT WAS REVEALED
THAT IDC 'MADE CERTAIN PAYMENTS OF A POLITICAL NATURE IN THE
BAHAMAS OF APPROXIMATELY $75,000 FOR THE YEARS 1972 THROUGH AND
INCLUDING 1975.' THE FUNDS WERE SAID TO BE USED FOR INDEPENDENCE
CELEBRATIONS AND THE CHILDREN'S CHRISTMAS FUND AND WERE PURPORTED
TO BE LEGAL UNDER BAHAMIAN LAW. IN JANUARY OF THIS YEAR THE SEC
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ACCUSED IDC AND ITS FORMER PRESIDENT AND CHAIRMAN, C. GERALD
GOLDSMITH OF VIOLATING THE ANTI-FRAUD, REPORTING AND PROXY
PROVISIONS OF THE FEDERAL SECURITIES LAWS IN CONNECTION WITH THE
ALLEGED DIVERSION OF MORE THAN $3 MILLION. ACCORDING TO THE WALL
STREET JOURNAL, IDC AND MR. GOLDSMITH SETTLED THE CHARGES 'BY
AGREEING TO INVESTIGATE THE MATTER AND BY PROMISING
TO ABIDE BY THOSE PROVISIONS OF THE SECURITIES LAW." OF THE $3
MILLION ILLEGALLY DIVERTED BY IDC, ' ONLY ABOUT $45,000
ACTUALLY WAS USED FOR POLITICAL CONTRIBUTIONS', THE SEC REPORTED
WITHOUT SPECIFYING WHETHER THE POLITICAL CONTRIBUTIONS WERE MADE
IN THE BAHAMAS OR ELSEWHERE. THE REST OF THE MONEY WENT INTO A
CANADIAN BANK ACCOUNT CONTROLLED BY MR. GOLDSMITH, SEC SAID. THE
FORMER IDC CHAIRMAN LATER REPAID THE GOVERNMENT (WHOSE SHARES ARE
TRADED DAILY ON THE NEW YORK STOCK EXCHANGE) A TOTAL OF $2.95
MILLION. NEITHER MRS. MELROSE NOR MR. GOLDSMITH ADMITTED OR DENIED
SEC CHARGES AGAINST THEM INVOLVING ILLEGAL POLITICAL FUNDS BUT
BOTH COOPERATED WITH THE AGENCY AND CONSENTED TO ITS PENALTIES."
TAYLOR

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